

# **CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING**

## **AUDIT REPORT**

### **FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED JUNE 30, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **NOV 09 2011**

# **CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING**

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**FINANCIAL STATEMENTS**

**CPWR – THE CENTER FOR  
CONSTRUCTION RESEARCH AND TRAINING**

**FOR THE YEAR ENDED JUNE 30, 2009  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2008**

**CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING**

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
CPWR – The Center for Construction Research and Training  
Silver Spring, Maryland

We have audited the accompanying statement of financial position of CPWR – The Center for Construction Research and Training (CPWR) as of June 30, 2009, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of CPWR's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from CPWR's 2008 financial statements and, in our report dated January 26, 2009, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CPWR as of June 30, 2009, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2009 on our consideration of CPWR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of CPWR's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Gelman Rosenberg & Freedman*

November 24, 2009

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## CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING

STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

ASSETS			
		<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	1,113,177	\$ 2,282,814
Investments (Notes 2 and 9)		1,901,931	647,654
Grants receivable		1,765,656	2,091,939
Accounts receivable		5,564	66,410
Prepaid expenses		133,973	127,413
Deposits		<u>22,647</u>	<u>22,647</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 4,942,948</u></b>	<b><u>\$ 5,238,877</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	1,934,720	\$ 2,516,644
Deferred rent (Note 4)		<u>47,330</u>	<u>41,677</u>
<b>Total liabilities</b>		<b><u>1,982,050</u></b>	<b><u>2,558,321</u></b>
<b>NET ASSETS</b>			
Unrestricted		<u>2,960,898</u>	<u>2,680,556</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 4,942,948</u></b>	<b><u>\$ 5,238,877</u></b>

See accompanying notes to financial statements.

## CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	<u>Unrestricted</u>	
	<u>2009</u>	<u>2008</u>
<b>REVENUE</b>		
Government grants (Notes 5 and 8)	\$ 13,660,939	\$ 14,757,097
Other projects	1,154,408	1,171,337
Interest income	44,890	104,459
Other revenue	<u>556</u>	<u>3,307</u>
Total revenue	<u>14,860,793</u>	<u>16,036,200</u>
<b>EXPENSES (Note 3)</b>		
Salaries	2,305,361	2,378,994
Benefits (Note 7)	2,164,827	2,139,431
Printing and production	394,246	379,121
Professional fees	24,983	28,536
Travel	668,148	783,173
Consulting fees	1,228,058	1,540,128
Postage and delivery	191,244	199,954
Supplies	202,390	209,907
Outside labor	356,220	566,400
Subcontracts	6,385,747	6,702,784
Other costs (Note 4)	<u>659,227</u>	<u>822,456</u>
Total expenses	<u>14,580,451</u>	<u>15,750,884</u>
Change in net assets	280,342	285,316
Net assets at beginning of year	<u>2,680,556</u>	<u>2,395,240</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,960,898</u></b>	<b><u>\$ 2,680,556</u></b>

See accompanying notes to financial statements.

## CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 280,342	\$ 285,316
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Grants receivable	326,283	940,348
Accounts receivable	60,846	(41,444)
Prepaid expenses	(6,560)	(103,833)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(581,924)	(78,867)
Deferred rent	<u>5,653</u>	<u>13,281</u>
Net cash provided by operating activities	<u>84,640</u>	<u>1,014,801</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	<u>(1,254,277)</u>	<u>(647,654)</u>
Net cash used by investing activities	<u>(1,254,277)</u>	<u>(647,654)</u>
Net increase (decrease) in cash and cash equivalents	(1,169,637)	367,147
Cash and cash equivalents at beginning of year	<u>2,282,814</u>	<u>1,915,667</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 1,113,177</b></u>	<u><b>\$ 2,282,814</b></u>

See accompanying notes to financial statements.



**CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

**Organization -**

CPWR – The Center for Construction Research and Training (CPWR) is a nonprofit organization, located in Silver Spring, Maryland. CPWR was established to carry out research targeting issues pertinent to the construction industry, with a focus on occupational safety and health and working conditions. CPWR is primarily funded through cooperative agreements and grants from various Federal agencies.

**Basis of presentation -**

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CPWR's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

**Cash and cash equivalents -**

CPWR considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, CPWR maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

**Investments -**

Investments are recorded at readily determined fair value. Unrealized gains and losses, if applicable, are included in investment income in the Statement of Activities and Change in Net Assets.

**Fixed assets -**

Furniture, equipment and leasehold improvements purchased with grant funds are expensed in the year purchased. Individual items purchased over \$5,000 must be pre-approved by the grantor. The effects of this policy are immaterial to the accompanying financial statements taken as a whole.

**Income taxes -**

CPWR is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CPWR is not a private foundation.

**Uncertain tax positions -**

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature.

CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Uncertain tax positions (continued) -

On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, CPWR is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, CPWR has not implemented those provisions in the 2009 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, CPWR continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of June 30, 2009, CPWR has no uncertain tax positions that qualify for either recognition or disclosure in financial statements.

Net asset classification -

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of CPWR and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of CPWR and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. As of June 30, 2009, there were no temporarily restricted net assets.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by CPWR. As of June 30, 2009, there were no permanently restricted net assets.

Revenue recognition -

Grant funds are deemed to be earned and recognized as revenue when CPWR has incurred expenses in compliance with the specific grant terms. Grant funds received prior to being expended are recorded as a liability and funds expended prior to reimbursement or drawdown are recorded as a receivable in the accompanying financial statements.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Fair value measurements -

CPWR adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. CPWR accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. INVESTMENTS

Investments consisted of the following at June 30, 2009:

	<u>Market Value</u>
Certificates of Deposit	\$ 604,494
Government securities	<u>1,297,437</u>
	<u><b>\$ 1,901,931</b></u>

3. FUNCTIONAL CLASSIFICATION

The costs of providing the various programs and other activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program	\$ 14,230,828
General and administrative	284,594
Fundraising	<u>65,029</u>
	<u><b>\$ 14,580,451</b></u>

All program related general and administrative costs, except unrelated business income taxes, are recoverable under grants and contracts.

4. LEASE COMMITMENT

CPWR leases office space under an operating lease which expires on February 28, 2013. Each year, rent escalates 3%. CPWR is recording the difference between the straight-line monthly rent and their actual rent payments as deferred rent in the Statement of Financial Position.

# CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### 4. LEASE COMMITMENT (Continued)

Total rent expense for the year ended June 30, 2009 was \$280,754. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2010	\$ 269,744
2011	277,836
2012	286,171
2013	<u>194,558</u>
	<u>\$ 1,028,309</u>

### 5. CONTINGENCY

CPWR receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2009. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

### 6. RELATED PARTY TRANSACTIONS

The Building and Construction Trades Department, AFL-CIO, (BCTD), is a related party. Two officers of BCTD, the General President and the Secretary-Treasurer, serve as officers on the Board of Directors of CPWR. During the fiscal year ended June 30, 2009, CPWR reimbursed BCTD approximately \$697,496 for grant program consulting services and expenses provided to CPWR by BCTD employees and consultants.

### 7. PENSION BENEFITS

CPWR participates in the AFL-CIO Staff Retirement Plan (the Plan), which is a multiple-employer defined benefit pension plan covering substantially all CPWR employees. CPWR's contributions to the Plan are made based on an actuarially determined percentage of employees' salaries. For the year ended June 30, 2009, CPWR contributed 21% of employee salaries or \$568,493 to the Plan.

Employees of CPWR are also eligible to participate in the AFL-CIO Deferred Compensation Plan, which is a multiple-employer defined contribution 401(k) plan. CPWR matches up to the first \$2,000 per year contributed by each employee through weekly contributions of \$38.47. For the year ended June 30, 2009, CPWR made \$64,147 in employer contributions to the AFL-CIO Deferred Compensation Plan.

### 8. CONCENTRATION OF REVENUE

Approximately 92% of CPWR's revenue for the year ended June 30, 2009 was derived from grants awarded by agencies of the United States Government. CPWR has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the CPWR's ability to finance ongoing operations.

**CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**9. FAIR VALUE MEASUREMENTS**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, CPWR has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market CPWR has the ability to access.

**Level 2.** These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded on the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2009</u>
<b>Asset Category:</b>				
Treasury Bill	\$ 1,297,437	\$ -	\$ -	\$ 1,297,437
Certificates of Deposit	<u>-</u>	<u>604,494</u>	<u>-</u>	<u>604,494</u>
<b>TOTAL</b>	<b><u>\$ 1,297,437</u></b>	<b><u>\$ 604,494</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,901,931</u></b>

**10. SUBSEQUENT EVENTS**

In preparing these financial statements, CPWR has evaluated events and transactions for potential recognition or disclosure through November 24, 2009, the date the financial statements were issued.



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTAL FINANCIAL INFORMATION**

To the Board of Directors  
CPWR – The Center for Construction Research and Training  
Silver Spring, Maryland

Our report on our audit of the basic financial statements of CPWR – The Center for Construction Research and Training (CPWR) as of June 30, 2009 appears on page I-3. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedules of Expenditures of Federal Awards and Findings and Questioned Costs are presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133 and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gelman Rosenberg & Freedman*

November 24, 2009

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## CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Granting Agency and Program Title</u>	<u>CFDA or Award Number</u>	<u>2009 Expenditures</u>
<b>Department of Health and Human Services</b>		
National Institute of Environmental Health Sciences: Hazardous Waste Worker Health and Safety Training	93.142	\$ 5,145,122
Occupational Safety and Health Research and Development	93.262	4,495,263
<b>Department of Energy</b>		
Epidemiology and Other Health Studies Financial Assistance Program	81.108	3,850,418
<b>Department of Housing and Urban Development</b>		
Pass-Through from the State of Louisiana	649203	<u>170,136</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 13,660,939</u></b>

**Note:** The accompanying Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

Of the total Federal expenditures, \$6,007,012 was passed through to subrecipients.

## CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

## Section I - Summary of Audit Results

## Financial Statements

1). Type of auditor's report issued:

Unqualified

2). Internal control over financial reporting:

- Material weakness(es) identified?

☐ Yes ☒ No

- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

☐ Yes ☒ None Reported

3). Noncompliance material to financial statements noted?

☐ Yes ☒ No

## Federal Awards

4). Internal control over major programs:

- Material weakness(es) identified?

☐ Yes ☒ No

- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

☐ Yes ☒ None Reported

5). Type of auditor's report issued on compliance for major programs:

Unqualified

6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA or Award Number(s)</u>
Hazardous Waste Worker Health and Safety Training	93.142
Occupational Safety and Health Research and Development	93.262

8). Dollar threshold used to distinguish between Type A and Type B programs:

\$409,828

9). Auditee qualified as a low-risk auditee?

☒ Yes ☐ No



**CPWR – THE CENTER FOR CONSTRUCTION RESEARCH AND TRAINING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Section II - Financial Statement Findings**

There were no audit findings.

**Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)**

There were no audit findings.

**Section IV - Prior Year Findings**

There were no prior year audit findings.



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
CPWR – The Center for Construction Research and Training  
Silver Spring, Maryland

We have audited the financial statements of CPWR – The Center for Construction Research and Training (CPWR) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered CPWR's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CPWR's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CPWR's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CPWR's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of CPWR's financial statements that is more than inconsequential will not be prevented or detected by CPWR's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by CPWR's internal control.

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Our consideration of CPWR's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in CPWR's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in CPWR's internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CPWR's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the Board of Directors, management, others within CPWR – The Center for Construction Research and Training, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gelman Rosenberg & Friedman*

November 24, 2009



**GELMAN, ROSENBERG & FREEDMAN  
CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

To the Board of Directors  
CPWR – The Center for Construction Research and Training  
Silver Spring, Maryland

**Compliance**

We have audited the compliance of CPWR – The Center for Construction Research and Training (CPWR) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. CPWR's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of CPWR's management. Our responsibility is to express an opinion on CPWR's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about CPWR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CPWR's compliance with those requirements.

In our opinion, CPWR complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### Internal Control Over Compliance

The management of CPWR is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered CPWR's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of CPWR's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CPWR's internal control over compliance.

A control deficiency in CPWR's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CPWR's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by CPWR's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by CPWR's internal control.

Our consideration of CPWR's internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in CPWR's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in CPWR's internal control over compliance that we consider to be material weaknesses as defined above.

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This report is intended solely for the information and use of management, the Board of Directors, others within CPWR – The Center for Construction Research and Training, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gelman Rosenberg & Friedman*

November 24, 2009